



Gander Int'l

Gander International
Airport Authority

2019 ANNUAL REPORT

who we are

The Gander International Airport Authority is the not-for-profit organization created in 1996 to manage operations at CYQX. The GIAA is a community-based, non share capital corporation whose profits are reinvested back into the airport. The airport plays a key role in the economic and community development of the Central Newfoundland region.

mission statement

The Gander International Airport Authority will operate a viable, safe and secure international airport.

vision

With our partners, we provide superior services to the aviation world.

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Message from the Chairperson of the Board

Airports are places of arrivals and departures. And so it comes that this will be my last message in our Annual Report.

As of September 8th, I will have completed my six years as Chairperson and the maximum nine years of service with the Gander International Airport Authority.

Our Board of Directors has elected our current Vice-Chairperson, Ms. Anne Manning-Moffitt, as my successor. Capable and courageous, Anne has many years of experience as a board member and all the skills required to guide the GIAA into the future.

I have thoroughly enjoyed my nine years on the Board and will treasure the experience of working with all past and present colleagues. It was a great privilege to work alongside those who give their time and talent for the benefit of the airport and the community it serves.

I have great admiration for our management team and staff who serve under the strong leadership of our President and CEO, Reg Wright. Their commitment to our airport, customers, and community is evident. My working relationship with airport senior management and staff was indeed a pleasant experience for me.

I would also like to express my gratitude to all our stakeholders for their continued support of our airport, especially the Town of Gander, which nominated me to serve on the GIAA Board of Directors.

Anne will lead an experienced board and senior leadership team. We have always emphasized a team approach, where Directors can contribute freely and draw upon their own experience and expertise.

The airport authority manages an important public trust, and that demands good governance.

The GIAA works continually to sharpen our governance framework and evaluate our effectiveness. That philosophy includes undertaking board self-audits, devoting time to enterprise risk management strategy and taking an active role in board succession planning.

I have spent a great deal of my professional and volunteer life seeking to address challenges, from those that affected a single individual or household to those that brought entire nations to their knees.

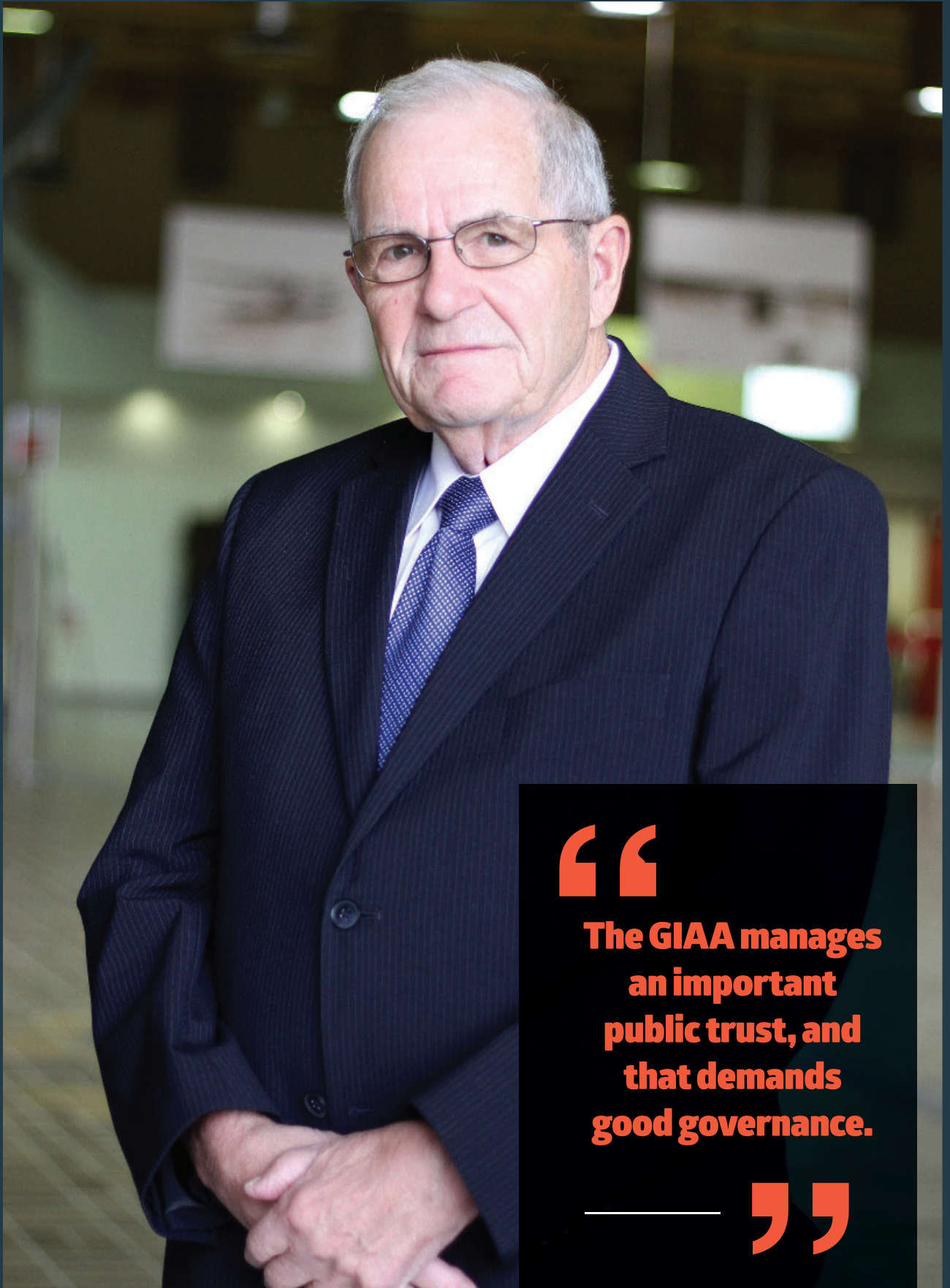
While the COVID-19 crisis has caused unprecedented upheaval on a global scale, I have every confidence Gander International Airport will survive.

It will survive because of people who will work tirelessly to restore success. It is this spirit that has made YQX one of Canada's most successful small airports. These stewards will ensure our airport remains strong, safe and viable.

I offer sincere best wishes to the airport team as it embarks on that journey.



Des Dillon / Chairperson



“

**The GIAA manages
an important
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”

Corporate VALUES

Our corporate values define who we are and what we stand for.

Integrity and Transparency

We conduct ourselves with integrity and a spirit of openness to the greater community we serve. We take ownership and are accountable for our decisions and actions. We keep our promises and demonstrate high ethical standards in everything we do.

Partnerships

We recognize that we succeed together where we fail alone. We establish true, productive partnerships where parties share resources, risk and reward. We build on each other's strengths and become stronger as a result.

Corporate Stewardship and Community Citizenship

We value the communities we serve and the people who live there. We contribute to the region as an economic generator and by providing leadership in social responsibility.

Efficiency

We recognize that the airport must run as a lean organization, one that provides cost leadership and recognizes the importance of maintaining a strong balance sheet.

Message from the President and CEO

In a typical year, I usually pen my Annual Report message in late April. A stubborn lingering winter grudgingly hands the reins to spring, and with it arrives a welcome sense of renewal at the airport.

I sit here today in mid-August, with eternal blue skies and the thermometer flirting with 30 degrees. August is typically the airport's busiest month, but today I look over an empty ramp and empty runway. At this juncture, our airport is in short supply of the things we most need - passengers and airplanes. A sky without stars. A sea without ships. This pandemic is the most significant challenge ever faced by our airport.

It is 150 days since the first presumptive case of COVID-19 was identified in Newfoundland and Labrador. COVID-19 has rocked the world to its core and decimated the aviation industry. Travel has virtually ground to a halt.

The pandemic has demanded our fulltime attention. As a result, we are releasing the 2019 report well past our traditional date in early May.

Talking about 2019 in the midst of a terrible 2020 is like worrying that a ceiling fan is dusty while the house is fully ablaze. Nonetheless, producing an annual report is an integral part of airport governance and community accountability.

I've always believed that the past matters mostly for how it informs the future. 2019 was, by all accounts, a good year for the Gander International Airport Authority.

It was a safe year for our staff and the travelling public, which matters most of all.

It was a profitable year, which saw the airport bounce back from its first accounting loss in 14 years with solid margins and a cash flow approaching \$3 Million.

It was a productive year, in which we completed important, seminal capital projects.

On the negative side, passenger traffic sagged slightly over 2018, the result of the two most significant external challenges the airport faced - a soft Provincial economy and the fall-out of the grounding of the Boeing 737 MAX. Combined, those were the red socks in the laundry of an otherwise good year.



Until such time a COVID-19 vaccine gets widespread administration, and perhaps for some time beyond that, the airport will deal with the massive economic challenges that have left the economy in utter freefall. I believe if 9-11, H1N1, SARS, Ebola and previous economic recessions were stacked end-to-end, they would still not reach the heights of the COVID-19 pandemic.

As a provider of essential travel infrastructure, the airport does not have the option of dropping anchor in a tempest. Despite high fixed costs, we have to maintain some continuity of airport operations with drastically falling revenue. This week and beyond, we will accommodate only 10% of the passengers we had forecast. Nearly every source of airport revenue, from sandwich sales to aircraft landing fees, has declined volumetrically. Airport tenants, our airline partners, flight schools, the broader travel industry have all felt a disproportionate amount of the pain. Our industry is in profound trouble. The pandemic impact is pronounced, and we are braced for a prolonged recovery.

It generally costs \$1 Million a month to operate Gander Airport. We have already moved to reduce costs - non-essential travel has been cancelled, a hiring freeze is now in place, and provisional layoff notices have been issued. The airport will halt discretionary spending and cancel all capital except for those projects substantially commenced that is being cost-shared with the government. Unfortunately, those cost-cutting measures will provide six-figure savings to seven-figure problems.

I do believe in the resilience of our team and our airport, and firmly believe we will come out the other side. To get there, the airport will need to change. We are making difficult decisions on how we right-size our airport for the future.

From the board table to the boiler room, we are all committed to ensuring Gander International Airport remains a central engine in the regional economy. At this juncture, our priority is to provide a safe, healthy travel experience for the travelling public.

I pass along my deepest gratitude to my high performing senior management team and staff. I extend my thanks to my colleagues on our Board. I do want to extend a special thanks to our outgoing Chairperson, Des Dillon, as steadfast and committed a champion of this airport as you could ask for. Des remains one of the most fundamentally good people I have ever met. I am grateful not just for his counsel, but his friendship. I welcome the opportunity to work with Anne Manning-Moffitt in her new capacity as Chair.

This pandemic carries massive social and economic costs. We are doing our best to manage a trying and unprecedented situation. These are trying times, but I am reassured by the dedication of our team and partners. We overcome challenges when we meet them together.

A handwritten signature in black ink, appearing to read 'Reg Wright', with a stylized, cursive script.

Reg Wright / President and CEO

OUR 2019 TEAM

Airfield Maintenance Specialists

Dale Bath	Mike Foley
Claude Gill	Steve Holden
Joey Hunt	Scott Penney
Colin Pope	Adam Roberts
Greg Mesh	Jason Timmons
Darrell Whitt	Jason Sweetapple
Travis Bauld	Thomas Newman
Jeff King	Jody Shea

Airfield Operations and Maintenance

Corey Winter, Supervisor of Airfield Maintenance

Electrical/Mechanical

Boyde Freake, Supervisor of Mechanical Maintenance
Garrett Watton, Lead Electrician
Stephen Fleming, Electrician
Alonzo Burry, Power Engineer

Firefighters

Robert Brown
Wayne Mercer
Barry Torraville

Mechanics

Lyndon Lewis, Lead Mechanic
Owen Hodder, Mechanic

Trades Helpers

Shannon Gillingham
Matthew Edison
Craig Rogers

Carpenter

Bill Hunter

Administration

Janice Bath, Executive Assistant
Tina Slade, Supervisor of Finance and Human Resources

Management

Reg Wright, President and CEO
Darren Dalton, Vice President/CFO
Brian Hicks, Director of Operations
Stephen Burbridge, Director of Infrastructure



Left to right: Shannon Gillingham, Stephen Fleming, Corey Winter, Garrett Watton, Darrell Whitt, Mike Foley and Scott Penney.

Airport Impact and Output

A sparkplug for the regional economy

While many people view an airport simply as a facility from which they fly, Gander International Airport is an important economic enabler for the region.

The economic impact of the airport is felt far past the airport's runways, as evidenced by the findings of an economic impact study undertaken by InterVISTAS Consulting Inc. in 2014.

The study measured employment and spending related to the airport as it pertains to jobs, wages and economic output.

- Direct impacts included 1,260 full-time jobs, \$90 million in wages, \$140 million in gross domestic product (GDP) and \$240 million in economic impact.
- The study also considers indirect and induced impacts, which include downstream industries such as suppliers and contractors, as well as employment generated by employee spending. Total economic impacts were 1,940 full time jobs, \$210 million in GDP and \$360 million in economic output.
- Employment related to airport activity has grown 10% over the last eight years, with most gains in the airport support and airline services sectors.
- 35 new positions were created at Gander International Airport in 2015.
- 95% of jobs directly related to airport activity are full-time positions.
- 20% of the total labour force in the Town of Gander can be attributed to direct airport activity.
- YQX is also an important generator of taxation revenues to all levels of government. Total taxes paid on an annual basis, by passengers, employers, and employees at YQX, are estimated at \$46 million per year, including \$27 million to the federal government and \$18 million to the provincial government.
- The airport authority is a regional employer. Over 50% of the airport authority's staff reside in communities outside of Gander.

Business Development Overview

Working to Grow Gander International Airport

The GIAA operates the airport as a diverse business rather than a simple provider of aviation infrastructure. Today, Gander International Airport is run principally upon air service development, operational efficiency, service quality,

Passenger traffic in Gander declined -4% in 2019, with the primary driver being capacity reductions from the grounding of the Boeing 737 MAX and a soft provincial economy.

Since assuming management of the airport from Transport Canada, the airport authority has made it a priority to reduce its dependency on unpredictable aviation business cycles. The airport's investment in a 150-acre business park located on a prime tract of land for retail bears witness to this direction. Gander is the hub of a \$2.5 Billion retail market, and the airport manages some of the highest visibility acreages in the community. Commercial development provides a host of benefits, including generating employment and strengthening the community as a retail hub. Land leasing revenue the airport generates is invested back into the airport and provides a source of stable income in challenging times.

Our focus on thickening non-aeronautical revenue streams, defined as income earned from outside of traditional aviation activities, continues to pay dividends, as two new leases were secured. This will provide a strong leg to stand on in the years to come.

The airport and its partners continue to execute an international campaign to recruit and retain international technical stops traffic. Technical stops are a business segment that Gander has actively promoted since its inception. While the technical stop market for Gander remains well below historical performance, it remains a crucial business line.

The GIAA announced plans to restore its historic international lounge.

The \$1.5 million project focuses on the preservation, restoration and adaptive reuse of the space, which experts consider the best-preserved Modernist room in Canada, with a historic legacy spanning multiple wars and the Golden Age of aviation. The aesthetic of the international lounge will be broadly maintained and interpretive components introduced to create a compelling visitor experience.

The Government of Canada, through the Atlantic Canada Opportunities Agency (ACOA) and the Government of Newfoundland and Labrador, through the Department of Tourism, Culture, Industry and Innovation, are each contributing \$500,000 towards the initiative.

This project seeks to reawaken, restore and repurpose underutilized space and thereby spur economic development. There is a duality to the project – while primarily a tourism-motivated project, waking up the lounge and returning access to residents and the world will be an exercise in placemaking.





Financial Stewardship

Toward a strong, viable Gander Airport

In 2019, the airport returned to profitability after reporting its first accounting loss in fourteen years in 2018. A loss of \$303,000 in 2018 reverted to a \$1 million profit for 2019.

A significant uptick in market performance and an increase in international landings and contributed to improved performance.

With wide variances in revenue year-over-year, the GIAA has worked tirelessly to control expenditures over the long term.

Over the past sixteen years, expenditures have been held to a total increase of 33%, for an average annual increase of 2%. The GIAA continues to work to drive efficiencies in its operation.

Revenue from non-aviation operations increased by 30%, primarily led by a significant recovery in market performance but also buoyed by a 4.7% return on real estate (land and building) rentals. The latter has proven to be a source of stable and consistent growth for the airport.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased from \$937K to \$2.9 million in 2019. The GIAA's debt coverage ratio for the year was 2.50, above the required covenant of 1.1.

Since assuming control of the airport in 2001, the airport has generated revenue of \$147 million, invested \$49 million in infrastructure and invested \$9 million in wages.

While no business saves its way to profitability, the GIAA has sought to operate in a fiscally responsible manner throughout its tenure. Management has focused on the diversification of operating revenues, cost control and operational efficiency.

As a foundational principle, the airport must avoid debt that will stress its economic framework. It needs to remain mindful of its cash reserves, debt covenants and emergency infrastructure needs.

As stewards of an essential piece of enabling transportation infrastructure, the GIAA works to ensure the airport is a financially sustainable enterprise. Operating surpluses are reinvested in the airport to benefit all stakeholders.



Community Engagement

Community engagement remains a crucial goal of the airport authority so the GIAA can build bridges with the region it serves.

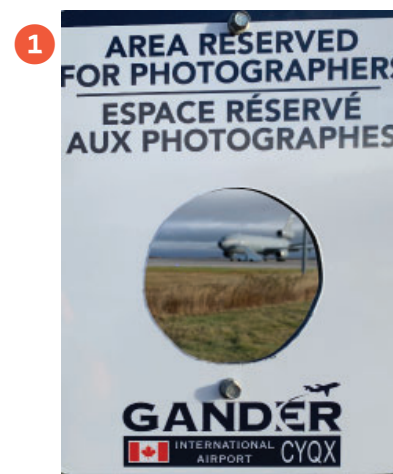
The airport remains an active philanthropist, contributing to local non-profit causes, including families in need, community festivals, the arts and youth sports. The airport focuses primarily on children's charities with a mandate to help sick or underprivileged children.

The airport values its connections with the community. This takes many forms, from hosting networking events for key community leaders, to providing a venue for community-led charitable events and assisting non-profit groups with numerous campaigns.

Our annual Kid's Picnic At The Airport, held during the Festival of Flight Celebration, continues to be an excellent way to engage young people and their families.

The GIAA partnered with the Central Division of the Gander Public Library to launch the YQX Flybrary, which offers free gently-used books for travellers.

To draw upon more expert feedback and better engage the region, the GIAA maintains a Community Consultative Committee, which offers a sounding board on all airport matters and provides vital input on operations, economic development and planning.



- 1 The GIAA placed planespotter holes in the airport perimeter fence to accommodate aviation photographers.
- 2 Coast of Bays-Central-Notre Dame MP Scott Simms joins GIAA Chairperson Des Dillon and CEO Reg Wright for an airside tour.
- 3 Chief Commissioner Jerry Cramm (left) and Chief Financial Officer Darren Dalton, in that Halloween spirit.

\$20 Million

in capital works projects
completed over the
last five years

41,588

total aircraft
movements

\$4.5 Million

capital investment
completed in 2019

Infrastructure and Operations

2019 was another robust year for capital improvements at Gander International Airport, with \$4.5 Million invested primarily in critical safety-related capital infrastructure, mainly the final phase of the rehabilitation of Runway 13-31 and associated taxiways.

Airport infrastructure investment projections are based on economic factors tied to the airport's lifecycle management formula. The GIAA has, and will, defer future infrastructure investments unless supported by solid economic fundamentals.

The GIAA recognizes that positive, productive work culture is a pivotal contributor to airport success. We hope to foster an environment that allows for creativity and employee-driven solutions to often difficult challenges.

An airport is only as good as its people. Gander International Airport is exceptionally fortunate to employ skilled, savvy, capable and committed staff.

Environment

The GIAA is committed to minimizing its environmental impact. The authority's Environmental Management Strategy ensures that the GIAA complies with all applicable environmental laws and regulations.

The Contaminated Site Program assesses and remediates historically-contaminated sites on airport lands. The program objectives are to identify these sites and their potential to contaminate ground and surface waters and freshwater ecosystems.

There are two known sites located on aerodrome lands contaminated with hydrocarbons, one of which is currently under remediation. The other site is a contamination that occurred before the lease commencement with Transport Canada, which will be remediated on a priority basis when the airport authority receives direction from Transport Canada.

Glycol testing across five sample areas did not return any results exceeding Federal Environmental Glycol Guidelines.

Safety

The airport strives to provide a safe environment for its workers, travellers and airlines.

The GIAA aims to exercise the highest levels of safe work practices by fostering an environment of personal and professional development, which in turn builds organizational capacity.

Gander Airport operates in a strictly regulated environment, and all aeronautical, safety and labour auditors found the airport to be a capable steward of airport operations in 2019.

Much of the GIAA's effort has focused on its Safety Management System (SMS) program. SMS is a comprehensive system that focuses on auditable and measured safety processes

that identify hazards to ensure a proactive approach to preventing incidents. The airport authority completed its Safety Management System (SMS) in accordance with Transport Canada's schedule, and SMS is an ingrained component of airport operations.

The GIAA and its staff have maintained an ongoing commitment to foster a culture of safety and security. As of the end of 2019, GIAA staff had eclipsed 338 days without a lost-time accident.

Core areas of ongoing focus include reducing runway incursions, wildlife control/minimizing the threat of bird strikes and ensuring operating surfaces are free of foreign object debris (FOD).

Over 2019, airport emergency services responded to incidents of varying severity. These include responding to routine medical and security incidents and accommodating distressed and diverted aircraft. In responding to all matters of distress, emergency response personnel demonstrated poise and professionalism.



Corporate Governance

Managed for the community, by the community

It is the policy of the Gander International Airport Authority Inc. to follow the governance practices of the Toronto Stock Exchange (TSX model). Accordingly, the GIAA has implemented the following guidelines.

The Board:

1. Assumes responsibility for stewardship of the Corporation and specifically for:

a) Adoption of a Strategic Planning Process for managing principal risks and implementing a Risk Management System

b) Succession planning and monitoring senior management

c) Communications Policy; and,

d) The integrity of internal controls and Management Information Systems

2. Ensures that the majority of directors are unrelated including committee members.

3. Ensures full disclosure is required to determine whether or not directors are related and how that conclusion was researched.

4. Appoints a committee responsible for the assessment of new directors. The committee makes recommendations to the Board of Directors as to suitability according to the by-laws, and ensures that new directors meet the skill sets required by the Authority.

5. Implements a process for assessing the effectiveness of the Board, its committee and individual directors.

6. Provides an orientation and education program for new directors.

7. Reviews, on an annual basis, the compensation of directors in light of risks and responsibilities.

8. Ensures all committees are comprised of unrelated non-management directors.

9. Has developed limits to management's responsibilities by developing mandates for the Board and CEO. The Board approves the CEO's corporate objectives.

10. Has established an audit and procedures committee. All voting members are unrelated and non-management.

The GIAA Board is composed of 13 directors, 10 nominated by the respective entities and three appointed by the Board itself. Directors are nominated/appointed by the following entities:

Federal Government	2
Provincial Government	1
Town of Gander	3
Gander and Area Chamber of Commerce	1
Lewisporte Area Chamber of Commerce	1
Exploits Regional Chamber of Commerce	1
GIAA Board of Directors	3
Town of New-Wes-Valley	1

A director may serve no more than a total of nine years. Collectively, directors are to possess knowledge relating to the aviation industry, air transportation, business, finance, administration, law, government, engineering, labour organizations and the interest of consumers.

Corporate Governance *(cont)*

As of December 31, 2019, the GIAA Board of Directors, their nominating entity and the term expiry were as follows:

Melvin Thorne, Town of Gander	Sept. 17, 2020
Desmond Dillon, Town of Gander	Sept. 7, 2020
Bernice Walker, Exploits Chamber	March 6, 2021
Gary Aucoin, Lewisporte Chamber	Aug. 23, 2021
Dean Cull, GIAA	Feb. 22, 2020
Rod French, Gander Chamber	Feb. 17, 2021
Gene Hedges, Town of Gander	April 15, 2020
Anne Manning-Moffitt, GIAA	Sept. 16, 2021
Winston Carter, Town of New-Wes-Valley	Feb. 19, 2021
Rose Bungay, Provincial Government	Feb. 22, 2020
Randell Mercer, Federal Government	Sept. 16, 2021
Peggy Bartlett, Federal Government	Aug. 23, 2021
Bob Daye, GIAA	Jan. 19, 2021

Contracts Not Tendered

Pursuant to the public accountability principles for Canadian airport authorities, general by-laws and the Authority's procurement policy for goods and services, all contracts valued at more than \$112,672 (\$75,000 2001 dollars) shall be awarded following a competitive public tendering process unless the Authority, for reasons of efficiency and practicality, decides otherwise.

Reasons for exceptions:

A. Whenever the Authority determines it more efficient to award a contract to an existing supplier, whenever services suppliers are deemed to have developed a specific skillset or knowledge base from a previous contract, or whenever exceptional circumstances of urgency require that work be undertaken immediately to avoid compromising the safety of people or premises.

B. Whenever a supplier is the owner, patentee or licensee of technology being acquired, whenever supplier experience and expertise are deemed to be quasi-exclusive, or whenever the maintenance of a supply source is essential given the extent of investments already made to establish a standard.

Contracts under \$1 million:

<i>Supplier</i>	<i>Service</i>	<i>Contract Value</i>	<i>Code</i>
Canadian Corps of Commissionaires	Security	\$278,774	A
G&M Enterprises	Janitorial	\$269,486	A

Committees

There are four permanent committees of the Board of Directors. Committees are only empowered to make recommendations to the Board unless directed otherwise by the Board. Committees and their chairs include: Executive Committee, chaired by Desmond Dillon; Finance and Audit Committee, chaired by Rod French; Infrastructure and Development Committee, chaired by Bernice Walker and the Governance Committee, chaired by Mel Thorne.

Senior Officers

Reg Wright, President and CEO
Darren Dalton, Vice President and Chief Financial Officer
Brian Hicks, Director of Safety and Aviation
Stephen Burbridge, Director of Infrastructure and Operations

Senior Officer Compensation

The remuneration paid to executive officers during 2019 was \$646,846. Officers were also eligible for performance-based pay that is included above.

Board Compensation

In establishing appropriate compensation for directors, GIAA's Governance Committee conducted a compensation survey, which is reviewed regularly to ensure it is comparable to similar markets.

Directors total compensation for 2019 was \$90,408.

Code of Conduct for Directors

All directors of the Authority are required to comply with a Code of Conduct and Rules Concerning Conflict of Interest. These require that directors avoid and refrain from involvement in conflict of interest situations. All directors are in compliance with this code.

Highlights and Required Declarations

Capital Initiatives

During the past year, the authority invested \$4,495,203 in capital improvements:

Runway/taxiway rehabilitation	\$ 3,123,817
Terminal building renovation design	1,255,519
Miscellaneous capital expenditures	115,867
	\$ 4,495,203

Community Consultative Committee

The Community Consultative Committee (CCC) is a communication conduit to and from the community on airport matters that affects the region.

The CCC acts as an arms-length an advisory body for the GIAA President & Chief Executive Officer.

Community Consultative Committee Members

Chris Tuck	Deborah Bourden
Hazel Bishop	Pauline Payne
Rex Avery	Judy Jenkins
Caroline Swan	Derm Chafe
Denise Cornish	Sonja Maloney
Genevieve Squire	Debby Yannakidis
Linda White	Stan Singh
Fergus O'Brien	Percy Farwell
Dr. Peter Blackie	

2019 GIAA Board of Directors



Top row, from left: Bob Daye, Dean Cull, Winston Carter, Vice-President & CFO Darren Dalton, Gene Hedges, Randell Mercer, Rod French and President & CEO Reg Wright
Front, from left: Vice-Chairperson Anne Manning-Moffitt, Peggy Bartlett, Chairperson Des Dillon, Rose Bungay and Bernice Walker
Missing from photo: Gary AuCoin, Secretary/Treasurer Mel Thorne.

Highlights and Required Declarations

BUSINESS PLAN

	ACTUAL	BUDGETED	DIFFERENCE	EXPLANATION
REVENUE	\$ 10,484,422	9,734,900	\$749,522	Increased international traffic and higher investment returns
EXPENSES, EXCLUDING DEPRECIATION	\$ 8,052,163	8,145,650	93,487	In line with budget
CAPITAL EXPENDITURES	\$ 4,495,203	\$2,530,000	(1,965,203)	ATB design delayed and runway project carried over from 2019

5 YEAR FORECAST

	2020	2021	2022	2023	2024
REVENUE	\$ 5,712,000	6,5787,000	7,564,000	8,699,000	10,004,000
EXPENSES, EXCLUDING DEPRECIATION	\$ 6,895,000	7,239,000	7,601,000	7,981,000	8,380,000
CAPITAL EXPENDITURES	\$ 500,000	500,000	500,000	500,000	500,000

Due to the uncertainty around the recovery in the aviation sector, the forecast for the next five years cannot be relied on as a meaningful instrument for medium-term planning.

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FINANCIAL REPORT

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To the Members

Gander International Airport Authority Inc.

Opinion

I have audited the financial statements of Gander International Airport Authority Inc. (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

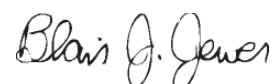
Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gander International Airport Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Gander International Airport Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Gander International Airport Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Chartered Professional Accountant
Chartered Accountant

Grand Falls-Windsor, NL
June 11, 2019

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 777,926	\$ 76,726
Short term investments	10,440,190	9,282,159
Accounts receivable (Note 3)	728,309	1,627,212
Inventory of consumable supplies (Note 4)	542,990	492,524
Prepaid expenses	99,993	125,859
	<u>12,589,408</u>	<u>11,604,480</u>
EMPLOYEE FUTURE BENEFITS (Note 9)	329,000	381,000
TANGIBLE CAPITAL ASSETS (Note 5)	<u>30,108,511</u>	<u>28,235,116</u>
	<u>\$ 43,026,919</u>	<u>\$40,220,596</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (Note 6)	\$ -	\$ -
Accounts payable (Note 7)	978,801	1,656,115
Customer deposits	380,030	180,226
Deferred revenue	197,369	185,369
Current maturity on capital lease	1,513	3,130
Accrued severance pay	102,794	-
Current maturity on long-term debt	477,536	852,564
Long term debt within one year in excess of regular payments	-	10,204,181
	<u>2,138,043</u>	<u>13,081,585</u>
LONG TERM DEBT (Note 8)	12,828,247	-
OBLIGATION UNDER CAPITAL LEASE (Note 10)	-	1,513
ACCRUED SEVERANCE PAY	477,873	332,347
UNAMORTIZED CAPITAL GRANTS (Note 11)	<u>10,966,171</u>	<u>11,056,465</u>
	<u>26,410,334</u>	<u>24,471,910</u>
NET ASSETS		
INVESTED IN TANGIBLE CAPITAL ASSETS	5,834,864	6,117,263
EXTERNALLY RESTRICTED - EMPLOYEE FUTURE BENEFITS	329,000	381,000
UNRESTRICTED	<u>10,452,721</u>	<u>9,250,423</u>
	<u>16,616,585</u>	<u>15,748,686</u>
	<u>\$43,026,919</u>	<u>\$40,220,596</u>

CONTRACTUAL OBLIGATIONS (NOTE 15)

Signed on behalf of the Board,



, Director



, Director

The accompanying notes form an integral part of this financial statement.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
REVENUE (Note 12)	\$10,484,422	\$ 8,320,679
EXPENSES		
Advertising and promotion	141,939	190,747
Bad debt expense	27,688	39,842
Board remuneration and travel	99,673	120,440
Communications	58,862	53,120
Equipment and vehicle operating	376,104	459,804
Insurance	230,251	179,366
Interest and bank charges	416,132	238,285
Licences and fees	31,949	30,145
Maintenance contracts	298,379	306,760
Materials and supplies	489,855	511,749
Office and administration	81,584	97,185
Payment in lieu of taxes	183,447	182,977
Professional fees	259,149	278,452
Repairs and maintenance	509,626	273,042
Security contracts	309,251	286,656
Travel	127,885	115,345
Utilities	748,587	750,620
Wages and employee benefits	3,598,390	3,486,012
Ground lease	63,412	21,447
Depreciation, net of grant amortization \$1,182,860 (2018 - \$924,825)	1,314,860	1,002,199
Impairment loss on assets under development	136,500	-
	<u>9,503,523</u>	<u>8,624,193</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 990,899	\$ (303,514)

The accompanying notes form an integral part of this financial statement.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF NET ASSETS
AS AT DECEMBER 31, 2019

				<u>2019</u>	<u>2018</u>
	<i>Externally</i>	<i>Invested in</i>			
	<u>Restricted</u>	<u>Capital assets</u>	<u>Unrestricted</u>		
<i>Balance, beginning of year</i>	\$ 381,000	\$ 6,117,263	\$ 9,250,423	\$15,748,686	
<i>Excess of revenue over expenses</i>	(82,000)	(1,451,533)	2,514,432	990,899	
<i>Transfers</i>					
- <i>Pension re-measurement items</i>	(113,000)	-	-	(113,000)	
- <i>Pension plan contributions in excess of actuarial expense</i>	143,000	-	(143,000)	-	
- <i>Contribution agreement funding</i>		(1,080,154)	1,080,154	-	
- <i>Proceeds from long term debt and capital leases</i>	-	(2,960,515)	2,960,515	-	
- <i>Repayment of long-term debt</i>	-	714,607	(714,607)	-	
- <i>Proceeds from sale of tangible capital assets</i>	-	-	-	-	
- <i>Purchase of tangible capital assets</i>	-	4,495,196	(4,495,196)	-	
	<u>\$329,000</u>	<u>\$5,834,864</u>	<u>\$10,452,721</u>	<u>\$16,616,585</u>	
	<i>Externally</i>	<i>Invested in</i>			
	<u>Restricted</u>	<u>Capital assets</u>	<u>Unrestricted</u>		
<i>Balance, beginning of year</i>	\$ 599,000	\$ 9,784,300	\$ 6,035,900		\$16,419,200
<i>Excess of revenue over expenses</i>	(78,000)	(1,002,199)	776,685		(303,514)
<i>Transfers</i>					
- <i>Pension re-measurement items</i>	(367,000)	-	-		(367,000)
- <i>Pension plan contributions in excess of actuarial expense</i>	227,000	-	(227,000)		-
- <i>Contribution agreement funding</i>		(3,946,346)	3,946,346		-
- <i>Proceeds from long term debt and capital leases</i>	-	(7,799,506)	7,799,506		-
- <i>Repayment of long-term debt</i>	-	774,548	(774,548)		-
- <i>Proceeds from sale of tangible capital assets</i>	-	-	-		-
- <i>Purchase of tangible capital assets</i>	-	8,306,466	(8,306,466)		-
	<u>\$381,000</u>	<u>\$ 6,117,263</u>	<u>\$ 9,250,423</u>		<u>\$15,748,686</u>

The accompanying notes form an integral part of this financial statement.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
CASH WAS PROVIDED BY (USED FOR)		
<i>Operating</i>		
<i>Net excess of revenue over expenses</i>	\$ 990,899	\$(303,514)
<i>Non-cash items, depreciation, net of grant amortization</i>	1,314,860	1,002,199
<i>Impairment loss on assets under development</i>	136,500	-
<i>Gain on disposal of property, plant, and equipment</i>	-	-
	<u>2,432,259</u>	<u>698,685</u>
<i>Changes in non-cash working capital</i>		
<i>Current assets (Note 13)</i>	874,303	(524,735)
<i>Current liabilities (Note 13)</i>	(362,716)	433,852
	<u>2,943,846</u>	<u>607,802</u>
<i>Investing</i>		
<i>Proceeds from sale of tangible capital assets</i>	-	-
<i>Purchase of tangible capital assets</i>	(4,495,203)	(8,306,646)
<i>Employee future benefit asset, including adjustment to net assets</i>	(61,000)	(149,000)
	<u>(4,556,203)</u>	<u>(8,455,466)</u>
<i>Financing</i>		
<i>Repayment of capital lease</i>	(3,130)	(2,800)
<i>Accrued severance pay</i>	145,526	110,959
<i>Repayment of long-term debt</i>	(711,477)	(771,748)
<i>Proceeds from long-term debt</i>	2,960,515	7,799,506
<i>Contribution agreement funding</i>	1,080,154	3,946,346
	<u>3,471,588</u>	<u>11,082,263</u>
 INCREASE (DECREASE) IN CASH	 1,859,231	 3,234,599
CASH, BEGINNING	9,358,885	6,124,286
 CASH, ENDING	 \$ 11,218,116	 \$ 9,358,885
CASH CONSISTS OF:		
<i>Cash on hand</i>	\$ 777,926	\$ 76,726
<i>Current account (overdraft) - operating</i>		-
<i>Short term investments</i>	10,440,190	9,282,159
	<u>\$ 11,218,116</u>	<u>\$ 9,358,885</u>

The accompanying notes form an integral part of this financial statement.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

1. NATURE OF OPERATIONS

The Gander International Airport Authority Inc. (GLAA) was incorporated as a not for profit Corporation without share capital by Letters Patent under the Canada Corporations Act and is Exempt from income tax.

The GLAA is governed by the Board of Directors whose members are nominated by various regional Stakeholders.

The objectives of the GLAA are:

-to manage operate and develop the Gander International Airport in a safe, secure, efficient, cost effective and financially viable manner with reasonable airport user charges and equitable access to all carriers;

-to undertake and promote the development of the Airport lands, for which it is responsible, for uses compatible with air transportation activities;

-to expand transportation facilities and generate economic activity in ways which are compatible with air transportation activities.

In executing its objectives, the Authority shall confer regularly with governments and community entities on matters affecting the operation and development of the Airport and shall engage only in those activities that are consistent with its objectives.

Gander International Airport (CYQX) is a member of the Canadian National Airport System. While a member of this system GLAA is required to operate as a not for profit corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Cash and cash equivalents

The entity's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and short term investments cashable within three months or less.

(b) Financial instruments

The entity initially measures its financial assets and liabilities at fair value.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, term deposits, and accounts receivable.

Financial liabilities measured at amortized cost include the accounts payable and long-term debt.

The entity's financial assets measured at fair value include a number of other investments, i.e. quoted shares.

Financial assets measured at cost are tested for impairment when there are indicators of impairment.

The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Depreciation

Depreciation was provided on tangible capital assets using the straight line method at the following rates per annum:

<i>Runway</i>	<i>5%</i>	<i>Vehicles</i>	<i>10%</i>	<i>Roads</i>	<i>6.67%</i>
<i>Approach lighting</i>	<i>5%</i>	<i>Software</i>	<i>10%</i>	<i>Equipment</i>	<i>10%, 20%</i>
<i>Leasehold improvements</i>	<i>10%, 20%</i>				

(d) Tangible capital asset additions are recorded at cost.

(e) Inventory

The inventory of consumable supplies is recorded at the lower of cost and estimated net realizable value. Inventory cost is calculated on the first in first out basis. Net realizable value is the replacement cost of consumable supplies.

(f) Facilities Lease

The lease of the International Airport Facilities from the Government of Canada (the "Landlord") is accounted for as an operating lease.

(g) Deferred government assistance

Government assistance received for the purpose of acquiring tangible capital assets is accounted for as deferred government assistance and amortized on the same basis as the related tangible capital assets.

(h) Pension Plan

The Authority has entered into a defined benefit pension plan for its employees whereby retirement benefits are based on the average earnings of last five years prior to retirement.

The defined benefit pension cost is charged to salaries and benefits as employees render services.

The Authority's approach to account for pension costs is the going concern funding basis.

The accrued benefit obligation, as presented in Note 9 of the financial statements, is measured using an actuarial valuation prepared for funding purposes. The actuarial costing method used is Projected Unit Credit pro-rated over credited service.

In accordance with Part III, Section 3463 of the Chartered Professional Accountants of Canada Handbook – Accounting, Remeasurement and other items impacting the accrued benefit asset are recognized directly in the Statement of Net Assets rather than in the Statement of Operations.

(i) Revenue Recognition

Revenue is recognized using the deferral basis of accounting.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of activities. Revenue is shown net of value added tax, rebates and discounts.

Airport improvement fee revenue is recognized as income in the periods passengers depart from the airport.

Landing fees, terminal fees, aviation fuel fees and miscellaneous revenue is recognized as airport facilities are utilized.

Rental revenue and concession revenue is recognized over the lives of the respective tenant's leases for land, buildings and space.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Foreign currency transactions

The entity uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date.

Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's income statement, except for the cost of inventories and depreciation translated at historic rate, are translated at average year rates. Exchange gains and losses are included in the income statement.

(k) Accounting estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

3. ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Trade	\$ 736,957	\$ 925,176
Recoverable costs	-	-
Government assistance	-	742,557
	<u>736,957</u>	<u>1,667,733</u>
Allowance for doubtful accounts	8,648	40,521
	<u>\$ 728,309</u>	<u>\$ 1,627,212</u>

4. INVENTORY

Inventory consists of consumable supplies.

The carrying amount of inventories carried at other than cost is \$Nil.

The amount of any write-down recognized as an expense in the period is \$Nil.

The amount of reversal of any write-down recognized in the period is \$Nil.

The carrying amount of inventory pledged as security for bank indebtedness is \$ Nil .

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

			<u>2019</u>	<u>2018</u>
5. TANGIBLE CAPITAL ASSETS				
	<u>Cost</u>	<u>Accumulated Depreciation</u>		
<i>Runway</i>	\$28,412,769	\$9,710,287	\$18,702,482	\$17,941,710
<i>Approach Lighting</i>	1,676,742	1,265,537	411,205	495,043
<i>Equipment</i>	1,954,623	1,077,024	877,599	706,895
<i>Vehicles</i>	6,118,176	3,890,773	2,227,403	2,479,531
<i>Software</i>	62,560	61,366	1,194	6,529
<i>Leasehold improvements</i>	4,001,498	1,512,672	2,488,826	1,839,253
<i>Land development</i>	1,219,573	-	1,219,573	1,219,573
<i>Roads and parking areas</i>	4,384,368	1,603,884	2,780,484	2,231,196
<i>Water and sewer Infrastructure</i>	912,416	123,168	789,248	819,870
	<u>48,742,725</u>	<u>19,244,711</u>	<u>29,498,014</u>	<u>27,739,600</u>
<i>Assets under development</i>	610,497	-	610,497	495,516
	<u><u>\$49,353,222</u></u>	<u><u>\$19,244,711</u></u>	<u><u>\$30,108,511</u></u>	<u><u>\$28,235,116</u></u>

6. BANK INDEBTEDNESS

GLAA has an operating line of credit of \$1,500,000 bearing interest at Scotiabank prime less 0.5% which is unused at year end. It is secured by a general security agreement and a collateral security agreement.

GLAA also has available a line of credit of \$2,000,000 bearing interest at Scotiabank prime less 0.5% to finance tangible capital assets which is unused at year end. When used, it is secured by first charge over equipment and assignment of insurance coverage. Advances for new equipment are amortized to a maximum of 84 months and used equipment a maximum of 48 months.

<i>Operating</i>	\$ -	\$ -
<i>Tangible capital assets</i>	-	-
	<u>\$ -</u>	<u>\$ -</u>

7. ACCOUNTS PAYABLE

<i>Trade</i>	\$ 529,540	\$ 1,725,982
<i>Accrued wages</i>	127,544	130,237
<i>Government remittances</i>	154,789	(380,506)
<i>Accrued vacation pay</i>	166,928	180,402
	<u>\$ 978,801</u>	<u>\$ 1,656,115</u>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
8. LONG-TERM DEBT		
<i>Bank of Nova Scotia</i>		
<i>Prime rate term loan, refinanced during year</i>	\$ -	\$ 737,500
<i>Prime rate term loan, refinanced during year</i>	-	246,862
<i>Prime rate term loan, refinanced during year</i>	-	737,500
<i>Prime rate term loan, refinanced during year</i>	-	493,748
<i>Prime rate term loan, refinanced during year</i>	-	1,289,167
<i>Prime rate term loan, refinanced during year</i>	-	3,857,724
<i>1.79% Partial Interest Rate Swap demand term loan, refinanced during year</i>	-	3,694,244
<i>1.79% Partial Interest Rate Swap demand term loan, repayable by monthly interest only payments, secured by Hypothecation Agreement (with Power of Attorney) over short term investments.</i>	13,305,783	-
	<hr/>	<hr/>
	13,305,783	11,056,745
<i>Current maturity</i>	477,536	852,564
<i>Amounts due on demand in excess of regular payments</i>	-	10,204,181
	<hr/>	<hr/>
	\$12,828,247	\$ -

Future payments on long term debt for the next five years are as follows:

<i>2020 - \$477,536</i>	<i>2022 - \$516,961</i>	<i>2024 - \$555,000</i>
<i>2021 - \$500,032</i>	<i>2023 - \$535,318</i>	

The bank indebtedness and long term debt is secured by additional security of a general security agreement over present and future personal property.

Until all debts have been extinguished, the following covenants apply:

The ratio of EBITDA (as defined by the Bank) to interest expense plus current maturity on long term debt must be 1:1.

The Authority was compliant with the required covenant.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

2019 2018

9. EMPLOYEE FUTURE BENEFITS

The Authority has a defined benefit and defined contribution plan providing pension benefits to most of its employees. The defined benefit plan is based on years of service and final average salary. Pension benefits will increase annually by 50% of the rate of inflation. The authority measures its accrued benefit obligation and the fair value of plan assets for accounting purposes as at January 1 of each year. The most recent actuarial valuation of the pension plans for funding purposes was January 1, 2019 and the next required valuation will be as of January 1, 2019. The reported amounts are based on the January 1, 2019 valuation as extrapolated to December 31, 2019, after adjusting for changes in assumptions.

(a) *The net expense for the Authority's defined benefit Pension plan is as follows:*

<i>Current service cost</i>	\$ 73,000	\$ 73,000
<i>Provision for non-investment expenses</i>	31,000	37,000
<i>Finance costs (return on plan assets in excess of interest incurred on plan obligations)</i>	(22,000)	(32,000)
<i>Net plan expenses</i>	<u>\$ 82,000</u>	<u>\$ 78,000</u>

(b) *Information about the Authority's defined benefit Pension plan at December 31 is as follows:*

<i>Plan assets</i>		
<i>Fair market value beginning</i>	\$ 7,470,000	\$ 7,557,000
<i>Return on plan assets</i>	882,000	(66,000)
<i>Administrative expenses</i>	(27,000)	(31,000)
<i>Employer contributions</i>	143,000	227,000
<i>Employee contributions</i>	14,000	14,000
<i>Benefits paid</i>	(227,000)	(231,000)
<i>Market value ending</i>	<u>8,255,000</u>	<u>7,470,000</u>
<i>Plan obligations</i>		
<i>Benefit obligation, beginning</i>	5,642,000	5,839,000
<i>Current service cost</i>	73,000	73,000
<i>Employee contributions</i>	14,000	14,000
<i>Interest cost</i>	249,000	258,000
<i>Benefits paid</i>	(227,000)	(231,000)
<i>Actuarial (gains) losses</i>	(63,000)	(311,000)
<i>Benefit obligation, ending</i>	<u>5,688,000</u>	<u>5,642,000</u>
<i>Surplus</i>	2,567,000	1,828,000
<i>Valuation allowance adjustment</i>	<u>(2,238,000)</u>	<u>(1,447,000)</u>
<i>Accrued benefit asset (liability)</i>	<u>\$ 329,000</u>	<u>\$ 381,000</u>

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
9. EMPLOYEE FUTURE BENEFITS (CONT'D)		
(c) <i>Reconciliation of the funded status of the benefit plan to the amounts recorded in the financial statements</i>		
<i>Fair value of plan assets</i>	\$ 8,255,000	\$ 7,470,000
<i>Accrued benefit obligation</i>	(5,688,000)	(5,642,000)
<i>Funded status of plan</i>	2,567,000	1,828,000
<i>Valuation adjustment allowance</i>	(2,238,000)	(1,447,000)
	<u>\$ 329,000</u>	<u>\$ 381,000</u>
 <i>Accrued benefit asset, beginning</i>	\$ 381,000	\$ 599,000
<i>Prior period adjustment (change in accounting policy)</i>	-	-
<i>Accrued benefit asset, beginning as restated</i>	381,000	599,000
<i>Pension cost for the period</i>	(82,000)	(78,000)
<i>Contributions by the Authority</i>	143,000	227,000
<i>Valuation allowance adjustment</i>	(791,000)	(328,000)
<i>Other remeasurement items charged to net assets</i>	678,000	(39,000)
<i>Accrued benefit asset, ending</i>	<u>\$ 329,000</u>	<u>\$ 381,000</u>
(d) <i>Remeasurement and other items</i>		
<i>Actuarial gain/(loss)</i>	\$ 63,000	\$ 311,000
<i>Interest less net return on assets</i>	546,000	(406,000)
<i>Gain/(loss) on non-investment expenses</i>	4,000	6,000
<i>Change in valuation allowance</i>	(791,000)	(328,000)
<i>Effect of valuation allowance on finance cost</i>	65,000	50,000
<i>Total</i>	<u>\$(113,000)</u>	<u>\$(367,000)</u>
(e) <i>Accumulated Remeasurement Gain (Loss)</i>		
<i>Balance, beginning of year</i>	\$(1,447,000)	\$(1,119,000)
<i>Remeasurement Gain (Loss) for current period</i>	(791,000)	(328,000)
<i>Balance, end of year</i>	<u>\$(2,238,000)</u>	<u>\$(1,447,000)</u>
(f) <i>The weighted average actuarial assumptions are as follows:</i>		
<i>Discount rate</i>	4.50%	4.50%
<i>Rate of compensation increase</i>	2.50%	2.50%
<i>YMPE Escalation rate</i>	2.50%	2.50%
<i>Indexation rate</i>	2%	2%
<i>Mortality table used for 2019 and 2018 was the CPM2014 (Combined), projection scale CPM-B</i>		
(g) <i>The assets of the plan are invested by a third party administrator and have the following asset mix</i>		
<i>Equity Securities</i>	59.9%	58.8%
<i>Fixed Income Securities</i>	32.5%	38.0%
<i>Other</i>	7.6%	3.2%
	<u>100.0%</u>	<u>100.0%</u>

Measured as of the measurement date of December 31 of each year

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

2019 2018

9. EMPLOYEE FUTURE BENEFITS (CONT'D)

The net expense for the Authority's defined contribution pension plan is \$136,591.

The expenses for defined benefit and defined contribution plans are included in wages and employee benefits on the statement of operations.

10. OBLIGATION UNDER CAPITAL LEASE

Bluechip Leasing Corporation

*11.18% capital lease repayable by blended monthly payments of \$291,
secured by equipment with net book value of \$11,123, due 2020\$*

Current maturity

1,513	\$	4,643
1,513		3,130
<hr/>		
\$ -	\$	1,513
<hr/>		

11. UNAMORTIZED CAPITAL GRANTS, NET BOOK VALUE

Balance beginning of year

\$11,056,465 \$8,034,944

Add: Contribution funding received

1,080,155 3,946,346

Less: Amortization

1,170,449 924,825

\$10,966,171 \$11,056,465

12. REVENUE

Landing fees

\$ 1,043,319 \$ 1,005,327

Terminal fees

455,225 427,898

Aviation fuel fees

1,812,365 1,529,690

Concessions

880,798 1,269,380

Rentals

1,985,954 1,895,087

Sale of quarry material

12,000 16,567

Miscellaneous

580,098 562,543

Royalties from forest harvesting

16,613 -

Investment income

610,212 325,463

Gain on disposal of property, plant, and equipment

- -

Change in fair value of short term investments

557,058 (613,130)

Foreign exchange gain (loss)

2,028 1,186

7,965,670 6,420,011

Airport improvement fees

2,528,752 1,900,668

\$10,484,422 \$8,320,679

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	<u>2019</u>	<u>2018</u>
13. CHANGES IN NON-CASH WORKING CAPITAL		
<i>The effect on cash of changes in non-cash working capital is as follows:</i>		
<i>Current assets</i>		
<i>Accounts receivable, trade</i>	\$ 156,346	\$ 154,177
<i>Government assistance</i>	742,557	(742,557)
<i>Recoverable costs</i>	-	30,674
<i>Inventory</i>	(50,466)	60,051
<i>Prepaid expenses</i>	25,866	(27,080)
	<u>874,303</u>	<u>(524,735)</u>
<i>Current liabilities</i>		
<i>Accounts payable</i>	(677,314)	495,234
<i>Customer deposits</i>	199,804	(64,547)
<i>Deferred revenue</i>	12,000	3,165
<i>Accrued severance liability</i>	102,794	-
	<u>(362,716)</u>	<u>433,852</u>
 <i>Net effect on cash</i>	 <u>\$ 511,587</u>	 <u>\$(90,883)</u>

14. FINANCIAL RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's main credit risks relate to its accounts receivables and concentration of cash and short term investments.

The Authority provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The Authority does not normally require a guarantor.

Concentration of credit risk arises when a group of clients having a similar characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. The Authority is exposed to credit risk on accounts receivable.

The Authority maintains cash with Canadian chartered banks in excess of federally insured limits and is exposed to credit risk from this concentration of cash.

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20192018

14. FINANCIAL RISK MANAGEMENT (CONT'D)

During 2013 the Authority placed material amounts of cash with the Investment Account Manager, Scotiabank. The investment account manager has funds invested primarily in Scotia mutual funds. At December 31, 2019 the investment mix was cash and equivalents 4.8% (2018 - 4.5%), fixed income, 55.5% (2018 - 37.4%), and other equities 39.7% (2018 - 58.1%). During 2019 the investment mix changed. This represents a change in credit risk during 2019.

(b) Currency risk

The Authority realizes a minimal amount of its revenue in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

(c) Interest rate risk

Certain components of long term debt bear interest at rates tied to a prime rate as established by its creditor. Consequently, the Authority is exposed to interest rate risk as prime rate varies.

The Authority minimizes its exposure to credit risk by entering into Interest Rate Swap agreements with its creditor, the Bank of Nova Scotia.

15. CONTRACTUAL OBLIGATIONS

The Authority operates under the terms of a Ground Lease with Transport Canada. The Ground Lease provides for lease of the Airport real estate. The Ground Lease and Canadian Airports Act impose restrictions on the authority's activities and provide the framework under which the Authority must operate. Lease amounts are calculated as a 1% of revenue (as defined) in the Range \$5,000,001 to \$10,000,000 and 5% of revenue (as defined) in excess of \$10,000,000. The exact amount of future payments under the terms of the lease are not determinable.

16. HEDGE ACCOUNTING

The Authority has borrowed funds under an Interest Rate Swap hedge transaction from the Bank of Nova Scotia (see Note 8). The contract expires on July 31, 2029. The Authority has chosen not to apply the optional Hedge Accounting standards found in the Chartered Professional Accountants of Canada Handbook - Accounting.

GANDER INTERNATIONAL AIRPORT AUTHORITY INC.
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AS AT DECEMBER 31, 2019

20192018

17. SUBSEQUENT EVENTS

The ongoing COVID-19 pandemic has caused the Canadian government to institute travel restrictions both within Canada and internationally, which has had, and is expected to continue to have, a significant adverse impact on the Authority's passenger volumes, the duration of which we are unable to predict with any degree of accuracy. The Authority's total revenue is substantially dependent on and directly related to the number of passengers that use the Airport facilities. The demand for both business and leisure airline travel has declined significantly on a global basis, and airlines are responding by cancelling international and domestic flights.

The extent of such negative effects on the Airport's business and our financial and operational performance will depend on future developments, including the duration, spread and severity of the outbreak, the duration and geographic scope of related travel advisories and restrictions and the extent of the impact of COVID-19 on overall demand for personal and business travel, all of which are highly uncertain and cannot be predicted with any degree of accuracy. The extent to which the outbreak affects our operating results will depend in part on our ability to implement various measures intended to reduce expenses.